

7.03.00.00 - APPRAISAL PREPARATION

7.03.01.00 The Appraisal Page--Purpose

This page presents a summation of parcel data, value elements and total appraised valuation.

7.03.02.00 Appraisal Page Format

The Appraisal Page (Form RW 7-9) will be completed in accordance with the directions following the form. Each of the described headings will be completed as appropriate.

Under the heading "Land", show the valuation of the land or other property rights to be acquired. Each class of land required will be shown by type, area, unit value, and total value. Mining claims or other land rights separately valued will be separately described. If access rights are the only rights required, the remark "Access Rights Only" and a nominal value will be shown. Loss in parcel value will be reflected under "Damages." If excess land is to be acquired, including parcels with excess proposed for exchange or as replacement sites, a segregation between Right of Way and Excess will be shown. If subparcels are included, clearly indicate the separate values, including those of excess.

All improvements proposed to be acquired including those valued with land, will be listed under the Improvement heading. If improvements are on excess to be acquired, there will be a segregation of value between right of way and excess.

Improvements proposed for relocation in lieu of purchase and fixtures, machinery, equipment, and other "items pertaining to the realty" proposed for purchase will be shown under separate subheadings. Improvements may be listed either on the Appraisal Page, a Summary of Improvements Page, or the Cost Approach Page.

7.03.03.00 Alternate Appraisals

Alternate appraisals are secondary acquisition approaches and will be shown on Supplemental Appraisal Pages. When alternate appraisals are included, the words "Primary" or "Alternate" will be shown in the heading of the Appraisal Pages.

When several approaches to acquisitions are possible, the primary appraisal will be the acquisition approach believed most appropriate regardless of cost, except in the case of the proposed acquisition of excess

property. See the following sections on appraisals of excess property regarding which approach should be the primary and which approach should be the alternate.

The amount carried forward to the Parcel Summary Page will be the appraisal, either alternate or primary, that represents the higher cost to the State. There is one exception to this rule. Occasionally, in farm, range, timber or desert lands, the primary appraisal may anticipate purchase of nonexclusive easements between grantors, or payment of damages in lieu of purchase of large landlocked excess parcels. The proposed excess land purchase will be shown as an alternate appraisal. In these cases, the primary appraisal value will be the figures for the Parcel Summary Page.

7.03.04.00 Appraisals of Excess Property for Acquisition

The appraisal of excess property will be done according to one of the following subsections:

7.03.04.01 Uneconomic in the Market

Staff appraisals will normally propose only acquisition of the right of way required plus net damages to remaining property, if any. A small excess parcel should be reviewed for possibility of including it in the right of way. However, with full substantiation, the appraisal may propose purchase of excess land and/or improvements in the following instances:

- A. When net severance damages, construction contract work, and utility relocations are substantial in relation to the value of the remainder in the before condition.
- B. When the remainder is landlocked or so reduced in size or irregularly shaped as to be legally or economically incapable of independent development in the after condition.

Whenever a proposed excess parcel is capable of independent development (after curative measures), a partial acquisition appraisal including estimated net severance damages is required as the primary appraisal. The purchase of the excess will be proposed as an alternate appraisal. Justification for

the acquisition of the excess must be included in the Report regardless of whether the primary or the alternate appraisal proposes the acquisition of the excess.

If the appraisal approach that proposes acquisition of excess (either primary or alternate) justifies the acquisition of the excess from an economic standpoint in the market, it will be approved for acquisition in accordance with current appraisal approval delegations.

NOTE: Whenever feasible, a valuation of the minor remnant left in the after condition should be included in the acquisition appraisal if: (1) the excess parcel "is landlocked or so reduced in size or irregularly shaped as to be legally or economically incapable of independent development"; and (2) the parcel is likely to have a value of \$5,000 or less as an independent parcel or as plottage to an adjoining property. The valuation should be prepared in the excess land appraisal format and process for nominal value parcels (see Section 7.14.04.01. The valuation amount is the VTA. See Section 7.03.07.00.

Remnants having a value likely to exceed \$5,000 in the after conditions, need not be valued as excess in the acquisition appraisal.

7.03.04.02 Uneconomic Remnants to the Owner

Occasionally, a right of way taking will cause a remainder parcel to be "uneconomic to the owner." It is the responsibility of the Appraisal Branch to identify and appraise for acquisition "uneconomic remnants to the owner" at the time of the appraisal. The appraiser must include the reasons that the remainder is considered to be an "uneconomic remnant to the owner". If the remainder is not identified initially by the appraiser as "an uneconomic remnant to the owner", the Acquisition Branch may later request an alternate appraisal that includes the uneconomic remnant.

Uneconomic remnant is defined in 49 CFR 24.2(w) as "a parcel of real property in which the owner is left with an interest after a partial acquisition of the owner's property, and which the acquiring agency has determined has little or no value or utility to the owner."

Statutes on the subject of "uneconomic remnants to the owner" are as follows:

- A. State Government Code Section 7267.7(a) states:

"If the acquisition of only a portion of a property would leave the remaining portion in such a shape or condition as to constitute an uneconomic remnant, the public entity shall offer to, and may acquire, the entire property if the owner so desires."

- B. 49 CFR 24.102(k) states:

"If the acquisition of only a portion of a property would leave the owner with an uneconomic remnant, the Agency shall offer to acquire the uneconomic remnant along with the portion of the property needed for the project"

- C. California Eminent Domain Law, Section 1240.150 states:

"Whenever a part of a larger parcel of property is to be acquired by a public entity for public use and the remainder, or a portion of the remainder, will be left in such size, shape or condition as to be of little value to its owner or give rise to claim for severance or other damages, the public entity may acquire the remainder, or portion of the remainder, by any means (including eminent domain) expressly consented to by the owner."

Law Revision Commission Comment: "...the language of the above section is broadly drawn to authorize acquisition whenever the remainder would have little value to its owner (rather than little market value or value to another owner)."

The State is required to offer to purchase an uneconomic remnant to the owner, but may not acquire the remnant without the owner's consent. Identified uneconomic remnants to the owner will be included for acquisition as an excess parcel in an alternate appraisal. The primary appraisal will be the approach that does not propose acquisition of the uneconomic remnant (excess). Both the primary and alternate appraisals will be reviewed for approval in accordance with current appraisal approval delegations. Final approval to acquire "uneconomic remnants to the owner" is the responsibility of the Acquisition Branch.

The exception to the requirement of preparing both a primary and alternate appraisal, as described above, is where the property owner, at the time of the appraisal, requests that the State acquire the remnant that has been identified by the appraiser to be an "uneconomic remnant to the owner". The DDC-R/W will authorize the Appraisal Branch, in writing, to prepare a single appraisal that proposes acquisition of the remnant as an excess parcel. A copy of this memorandum will be included in the Report with appropriate reference. The appraiser must document such requests by the owner in the parcel diary.

At the appraisal stage, it may be difficult to determine whether or not a remainder is an uneconomic remnant to the owner. The determination must be made on a case-by-case basis and if there are any doubts, consult with the Division Appraisal Branch.

If primary and alternate appraisals are made pursuant to this Section, the Report must include a statement to that effect.

7.03.04.03 Request by the Property Owner for the Convenience of the Property Owner

Property owners may request the purchase of a remainder merely for their convenience under circumstances which do not fit within the reasons as described in A and B above. Then, an alternate appraisal proposing the purchase of excess will be prepared when authorized in writing by the DDC-R/W. A copy of this memorandum will be included in the Report with appropriate reference.

A primary appraisal that does not include the proposed purchase of the excess is required. The primary will be reviewed and approved for acquisition and the alternate will be approved for valuation purposes only, in accordance with current delegations. The specific justification and authorization for the acquisition of the excess in the alternate will be the responsibility of the DDC-R/W. The alternate may be made at the time of the initial appraisal or subsequently at the request of the Acquisition Branch.

7.03.04.04 To Avoid Large Windfall Relocation Payments to Single Family Owner-Occupants

In some situations involving improved single family residential sites, a partial acquisition may result in a large windfall purchase price differential payment to

the owner-occupant. This may occur when the taking includes the residence, and the remaining site has substantial value. The Appraiser must discuss these cases with the Relocation and Acquisition Branches to determine if a windfall situation exists, and thus a need to offer to acquire the remainder as excess (a total take) to avoid the windfall. If yes, a total take appraisal (including excess) will be made as the primary approach and a part take appraisal will be made as the alternate approach. A statement must be included that both appraisals are being made to avoid creating a windfall situation.

The total take must first be offered to the owner-occupant. If the owner elects to retain the remainder, the relocation payment can be calculated on the basis of a full take, thus avoiding the windfall payment.

In these situations, both the primary and alternate appraisals will be reviewed for approval in accordance with current appraisal approval delegations.

7.03.05.00 Legal Larger Parcel and Subparcels

Generally each parcel, together with all subparcels, will be included on one Appraisal Page. It may be necessary to have separate Appraisal Pages for subparcels. In these cases the total value for the parcel will be compiled on a Summary Appraisal Page.

There will be cases when more than one ownership will be included in a legal larger parcel. It may be necessary to appraise the separate ownerships as one legal larger parcel for proper damage and special benefit valuation. A separate Appraisal Page will be included to summarize the combined analysis of these separate ownerships.

7.03.06.00 Allocation Between Excess and Right of Way

Land value will be segregated by area, unit value, and total value of each class of land in the right of way and excess area. Additional requirements on excess land (drainage easements, etc.) are to be valued and attributed to the right of way. The excess is valued after encumbrances of any additional requirements.

Improvement values, including Relocations in Lieu of Purchase and Improvements Pertaining to the Realty, will be distributed to Right of Way or Excess charges

depending on their location and subject to the following instructions:

- A. Building improvements straddling the right of way line will be charged to Right of Way. Building improvements, including garages and auxiliary buildings, located entirely on excess will be charged to Excess.
- B. Landscaping, miscellaneous yard improvements, minor sheds, patios, fencing, and improvements pertaining to the realty located on excess are to be charged to Right of Way if the property's major improvements are charged to Right of Way.
- C. Damages to remainders not acquired as excess will be charged to Right of Way.

Separate totals will be shown for right of way and excess areas.

7.03.07.00 Excess Parcel Inventory Value (VTA)

Every proposed excess parcel will be appraised at inventory value (Value at Time of Acquisition, or VTA) for accounting purposes.

- A. Inventory Value is the value of the excess, as a partial acquisition under condemnation rules, immediately after acquisition and considered as a separate parcel. The inventory value may not exceed the pro rata cost of the parcel except when this cost is less than \$1. The minimum inventory value is \$1.
- B. The inventory value of each proposed excess parcel will be shown on an Excess Property Inventory Valuation Page (Form RW 7-13) in each parcel appraisal.
- C. Inventory Value may be based on the appraiser's judgment without detailed supporting documentation. Excess valued in a partial acquisition appraisal need only be summarized on Form RW 7-13.
- D. It is anticipated that Form RW 7-13 will not contain sufficient data to document a partial acquisition. If grantor desires to retain the excess and the excess has not been appraised on a partial acquisition alternate,

the Acquisition Branch will request a revised appraisal.

- E. Inventory value will be changed only if the staff Appraisal is revised. Inventory values will not be revised to agree with administrative settlements, independent appraisals, stipulations, or condemnation judgments.

7.03.08.00 Rental Rates

Rental rates for all improved properties where the improvements are affected by the taking and rented unimproved properties shall be shown on the Appraisal Page.

The actual existing rental rate and the estimated economic rental rate will be shown on tenant-occupied properties. An estimate of the economic rental rate will be shown for all improved owner-occupied properties. The basis for the appraiser's estimate of economic rent on dwelling units to be acquired shall be documented in the appraisal usually by specific reference to comparable rental data (see Exhibit 7-EX-3). State ownership will not be considered in estimating the rate. All actual and estimated economic rental rate data that include utilities should be specific as to type of utility(ies) involved.